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**FISCAL IMPACT STATEMENT**

**LS 7894**

**BILL NUMBER:** SB 501

**NOTE PREPARED:** Apr 29, 2003

**BILL AMENDED:** Apr 27, 2003

**SUBJECT:** Charter School Funding.

**FIRST AUTHOR:** Sen. Lubbers

**FIRST SPONSOR:** Rep. Porter

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** ( CCR Amended) This bill specifies that the school employees of a conversion charter school cannot have their benefits or employment with the school corporation that sponsored the charter school terminated.

It allows a school corporation to increase its maximum levy by the amount of any local funding provided to a charter school. The bill excludes the levy increase from the school corporation's previous year revenue and tuition support calculation. It also requires the Department of Local Government Finance to inform each county auditor of the amount of local funding to distribute to a charter school.

This bill creates a separate average daily membership ("ADM") count for a charter school. The bill provides that all university sponsors together may sponsor not more than five charter schools each year. It provides that a university may not sponsor a charter school in Marion County. It also requires a university to conduct a public meeting in the county where the university intends to sponsor a charter school. The bill prohibits the mayor of a consolidated city from banking charter schools from 2003 through 2005.

This bill requires the Department of Education ("Department") to distribute tuition support and other state funding to a charter school beginning in the second semester of the charter school's operation. The bill requires the Department to provide the Department of Local Government Finance information necessary to calculate a charter school's share of local funding. It provides that the school corporation in which a conversion charter school is located provides state funding and a proportionate share of local funding to the conversion charter school during its first semester of operation. The bill requires the organizer of a charter school to apply for federal funding. It allows a charter school to borrow from the Common School Fund for first semester operational costs and operational costs associated with a growth in enrollment of at least 15%.

This bill provides for repayment of any outstanding obligation from the Common School Fund of a charter school that terminates operation. It provides that the at risk and complexity indices for a charter school are the at risk and complexity indices of the school corporation in which the charter school is located. The bill provides that the at risk and complexity indices for Campagna Academy Charter School are the weighted averages of the at risk and complexity indices of the school corporations in which the charter school's students have legal settlement. It includes charter schools in the following categorical distributions: (1) free lunch and textbook reimbursement; (2) primetime; (3) at risk; (4) growing enrollment; (5) academic honors diploma; (6) special education; and (7) vocational education. The bill forgives outstanding obligations of charter schools from the Abandoned Property Fund.

This bill states the intent of the General Assembly to fund charter schools under the same formula as other school corporations. The bill resolves conflicts.

**Effective Date:** January 1, 2002 (retroactive); January 1, 2003 (retroactive); Upon passage; July 1, 2003.

**Explanation of State Expenditures:** The bill treats charter schools like other school corporations in the school formula calculations or in applying for state or federal grants. The charter school students would be counted in the ADM of the charter school and not the ADM of the school corporation where the student resides. The bill provides an adjustment in a school corporation's previous year's revenue for a school corporation that starts a conversion charter school.

Under the bill charter school could borrow from the Common School Fund to finance the first six months of operation. The loans can be repaid over a term of 20 years. The state and local funding for charter schools begin with the second six months of operation or the next calendar year. For conversion charter schools, the sponsoring school corporation must provide some funding for the first six months of operation.

The bill limits the number of charter schools universities may sponsor to 5 per year, and they cannot sponsor charters in Marion County for two years. It prohibits the mayor of a consolidated city from banking charter schools from 2003 through 2005. The mayor can create 5 charter schools a year. Currently, if less than 5 are created, the difference carries over to the next year.

The impact of the bill for 2004 and 2005 is unknown and depends on the school formula the legislature adopts.

The bill is retroactive for the 2003 school formula. Under this bill, the state will pay the local share of charter school formula funding for 2003. The estimated impact for CY 2003 is about \$2.2 M. The additional state funding would come from the existing tuition support appropriation. Local school corporations would not be required to send a pro rata share of tuition support and local dollars to charter schools. The amount of the redirection under current law is estimated to be about \$7.2 M for CY 2003. The state funding for the school formula would be increased by about \$4 M. If the changes caused the school formula to be greater than the calendar year cap, then state tuition support would be proportionately reduced to the calendar year cap. This bill does not contain an appropriation, so the school funding formula must stay within the current calendar year cap. For CY 2004 and after, the local property tax of a school where the charter school resides would be increased by 35% of the school formula revenue per student for students residing in the school corporation and attending charter schools. The increase in the levy for charter schools is to be shown separately on the information provided by the county treasurer.

The bill provides that the state forgive loans from the Abandoned Property Fund the State Board of Finance

made to charter schools. The amount of the loans are about \$1.4 M.

*Background:* The charter school ADM for the 2002-03 school year is 1,253, and the revenue per student is about \$6,062, excluding special education, primetime, and vocational education grants. The first charter school opened for the 2002-03 school year. The state, in accordance with an Attorney General's opinion, is paying the state portion of state funding to charter schools without reducing the state funding of the public school where the student resides for the period of July-December of 2002. Starting with February 2003 the revenue sent by the state to the charter school will be offset by a reduction in the state revenue sent to the public school where the student resides.

Under the current charter school law, it is unclear if the local school would incur additional expenses in the first six months of the operation of charter schools. The impact on local schools for the first six months for the 11 new charter schools would be about \$1.4 M. The impact for local school corporations starting with the next calendar year after the charter school begins depends on how the school receives its school formula revenue. In the school formula, schools make three separate revenue calculations and receive the greatest revenue of the three calculations. The largest local impact is for minimum guarantee school corporations. The school receives 2% more in revenue than they received last year, regardless of enrollment changes. The minimum guarantee school corporation would lose revenue on average of \$6,062 per student for students attending charter schools. Schools that receive funding through the foundation and variable grant calculation may lose revenue depending on their student counts. If a school corporation has no reghosting, then the impact on the school corporation is the same if the student left to attend a charter school, a private school, or another school corporation. The amount of revenue redirected to the charter school is equal to the amount of revenue the school would have lost if the student left the school corporation. If the school has reghosting, the decline in enrollment is phased out over five years, then the school corporation would lose some revenue. The revenue loss would be about \$4,850 per student since the school would only lose 20% of the funding if the student left to attend another school.

The following is a simple explanation of the school formula calculations for regular programs for CY 2003.

#### Enrollment

- Step 1 Count Noses. Base Enrollment is the number of students enrolled on a fixed day in mid-September (this year: September 13, 2002).
- Step 2 Reghost. Compare Base Enrollments for 1998, 1999, 2000, 2001, and 2002:
- (a) If 1998 is higher than any subsequent (i.e., later) year  
Then: Add 20% of the difference between the 1998 Base Enrollment and highest subsequent enrollment.
  - (b) If 1999 is higher than any subsequent year  
Then: Add 40% of the difference between the 1999 Base Enrollment and highest subsequent enrollment.
  - (c) If 2000 is higher than either 2001 or 2002.  
Then: Add 60% of the difference between the 2000 Base Enrollment and highest subsequent enrollment.
  - (d) If 2001 is higher than 2002  
Then: Add 80% of the difference between the 2001 Base Enrollment and the 2002 Base Enrollment.

#### Regular School Formula Revenue

Revenue is calculated three ways—Minimum Guarantee, Foundation, and Variable Grant—District receives the biggest of the 3.

Foundation Multiply \$4,560 by

District Enrollment (calculated above) by  
District Complexity Index that ranges between 1.00 (Eagle Union) and 1.19  
(East Chicago), which is based on (a) Community education level, (b) % of  
Single-Parent Households in Community, (c) Poverty, (d) % limited English  
proficient students, and (e) % free lunch  
Variable Grant Increase 2002 regular education per-pupil revenue by \$50-\$90 and multiply by  
District Enrollment (calculated above)  
Minimum Guarantee Increase 2002 regular education revenue by 2%

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:** See *Explanation of State Expenditures*.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local Public and Charter Schools.

**Information Sources:** Department of Education Databases.

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